

AMENDED IN SENATE JULY 16, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1736

**Introduced by Committee on Veterans Affairs (Parra (Chair),
Cohn, Matthews, Mullin, Nakano, Runner, Salinas, and Wyland)**

March 6, 2003

~~An act to amend Sections 987.71 and 987.775 of the Military and An
act to amend Sections 15819.60 and 15819.65 of the Government Code,
to amend Sections 987.71, 987.775, and 1104.1 of, and to repeal and
amend Section 1104.2 of, the Military and Veterans Code, relating to
veterans, and making an appropriation therefor, and declaring the
urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1736, as amended, Committee on Veterans Affairs. ~~Veterans;
Cal-Vet loans.~~

The Veterans' Farm and Home Purchase Act of 1974 authorizes the Department of Veterans Affairs to assist veterans in acquiring farms and homes, as provided. Existing law requires a purchaser, as defined, to make an initial payment, as defined, to the department of at least 2% of the selling price, as defined, of the property to be acquired, except that the department may waive this initial payment when the value of the property, as determined by the department from an appraisal, equals the amount to be paid by the department for the property plus at least 5%.

This bill would additionally authorize the department to waive the initial payment for a purchase that requires a loan guaranty by the United States Department of Veterans Affairs.

Existing law provides for the Veterans' Farm and Home Building Fund of 1943. Existing law creates within this fund a segregated account to receive gains realized when the department declares a forfeiture of a purchaser's property, as provided. Existing law authorizes the department to expend moneys from that account for, among other purposes, providing assistance to lower income first-time purchasers by postponing loan principal payments or loan payment installments.

This bill would additionally authorize the department to expend moneys from this segregated account in this fund to provide initial payment assistance to lower income first-time purchasers in the form of a deferred-payment 2nd loan, as provided. By authorizing this additional use of moneys from the Veterans' Farm and Home Building Fund of 1943, an appropriated special fund, this bill would make an appropriation.

Existing law authorizes the Department of General Services, on behalf of the Department of Veterans Affairs, to construct and establish veterans' homes in Fresno and Shasta Counties, to renovate veterans' homes in Yountville, Barstow, and Chula Vista, and to expand veterans' homes that are proposed to be built in Lancaster, Saticoy, and West Los Angeles.

This bill would additionally authorize the Department of General Services, on behalf of the Department of Veterans Affairs, to design and equip the veterans' homes in Fresno and Shasta Counties, and to design, equip, and construct veterans' homes in Yountville, Barstow, Chula Vista, Lancaster, Saticoy, and West Los Angeles.

The State Building Construction Act of 1955 authorizes the State Public Works Board to acquire or construct public buildings and to issue revenue bonds, negotiable notes, and negotiable bond anticipation notes to finance that construction. Existing law authorizes the State Public Works Board to issue lease-revenue bonds, notes, or bond anticipation notes pursuant to that law to finance the acquisition, design, construction, renovation, or expansion of veterans' homes at Yountville, Barstow, Chula Vista, Lancaster, Saticoy, and West Los Angeles, and in Fresno County and Shasta County, as provided. Existing law continuously appropriates funds derived from the sale of these instruments to the board, on behalf of the Department of Veterans' Affairs, for this purpose.

This bill would remove the authorization that these funds may be used for the acquisition of a veterans' home, but would make an

appropriation by additionally authorizing these funds to be used to equip these homes.

The Veterans' Homes Bond Act of 2000 requires the proceeds from the sale of the bonds issued under that act to be deposited in the Veterans' Home Fund. Existing law continuously appropriates, subject to the approval of the Department of Finance, moneys in the Veterans' Home Fund, in an amount not to exceed \$31,000,000, to the Department of Veterans Affairs to meet state funding requirements for the construction of veterans' homes in Lancaster, Saticoy, and West Los Angeles.

This bill would make an appropriation by additionally authorizing the Department of Veterans Affairs to expend these moneys to design and equip these veterans' homes.

Existing law continuously appropriates, subject to approval by the Department of Finance, moneys in the Veterans' Home Fund, in an amount not to exceed \$15,000,000, to the Department of Veterans Affairs for the design and renovation of the veterans' home in Yountville.

This bill would make an appropriation by additionally authorizing the use of these moneys for constructing and equipping the veterans' home in Yountville.

Existing law continuously appropriates, subject to approval by the Department of Finance, certain remaining funds from the Veterans' Home Fund to design, construct, and renovate the veterans' homes in Lancaster, Saticoy, and West Los Angeles.

This bill would make an appropriation by additionally authorizing the use of these remaining funds for equipping and expanding the veterans' homes in Lancaster, Saticoy, West Los Angeles, and Yountville.

Existing law continuously appropriates, subject to the approval of the Department of Finance, certain federal matching funds for the design, construction, and renovation of specified veterans' homes.

This bill would make an appropriation by additionally authorizing these federal funds to be used for equipping these veterans' homes.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~ ^{2/3}. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. *Section 15819.60 of the Government Code is amended to read:*

15819.60. (a) The Department of General Services, on behalf of the Department of Veterans Affairs, may *design, equip, construct, and establish* additional veterans' homes to be located in Fresno County and Shasta County.

(b) The Department of General Services, on behalf of the Department of Veterans Affairs, may *design, equip, construct, and renovate* the veterans' homes at Yountville, Barstow, and Chula Vista, as needed and justified.

(c) The Department of General Services, on behalf of the Department of Veterans Affairs, may *design, equip, construct, and expand* the homes proposed to be built at Lancaster, Saticoy, and West Los Angeles, as needed and justified.

(d) The construction of veterans' homes in Fresno County and Shasta County may not commence until the veterans' homes in Lancaster, Saticoy, and West Los Angeles have been fully funded.

(e) The veterans' homes to be constructed in Fresno County and Shasta County may be built concurrently.

SEC. 2. *Section 15819.65 of the Government Code is amended to read:*

15819.65. (a) (1) The State Public Works Board may issue lease-revenue bonds, notes, or bond anticipation notes pursuant to Chapter 5 (commencing with Section 15830) of Part 10b of Division 3 of Title 2 ~~of the Government Code~~ to finance the ~~acquisition~~, design, construction, *equipping*, renovation, or expansion of the veterans' homes specified in Section 15819.60.

(2) The issuance of bonds or notes under this section is contingent upon a commitment from the federal government to pay for the federal matching share of the cost of the design, construction, *equipping*, renovation, or expansion of the veterans' homes specified in Section 15819.60.

(b) The amount of lease-revenue bonds, notes, or bond anticipation notes to be sold pursuant to Chapter 5 (commencing with Section 15830) for capital outlay for this purpose shall not exceed the sum of sixty-two million dollars (\$62,000,000). This amount shall be available, in addition to any federal funds available, as necessary for the *design, construction, renovation, or*

expansion of the veterans' homes, site studies, suitability reports, environmental studies, master planning, architectural programming, schematics, preliminary plans, working drawings, construction, and equipment.

(c) The amount of revenue bonds, negotiable notes, or negotiable bond anticipation notes to be sold shall equal the costs of performance of all functions referred to in subdivision (b), and any additional amounts, as specified in subdivision (g).

(d) The amount of negotiable bond anticipation notes to be sold shall not exceed the amount of revenue bonds or negotiable notes authorized by this chapter.

(e) Notwithstanding Section 13340, funds derived for the purposes of this chapter from the financing methods pursuant to Chapter 5 (commencing with Section 15830) for the ~~acquisition~~, design, construction, *equipping*, renovation, or expansion of the veterans' homes are hereby continuously appropriated to the board on behalf of the Department of Veterans Affairs for the ~~acquisition~~, design, construction, *equipping*, renovation, expansion, or refinancing of the veterans' homes so financed.

In addition to the funds appropriated pursuant to this section, the federal matching funds available pursuant to the State Veterans' Home Assistance Improvement Act of 1977 (38 U.S.C. Sec. 8131 et seq.), are hereby continuously appropriated to the board on behalf of the Department of Veterans Affairs for the purposes of design, construction, *equipping*, renovation, expansion, or repayment of any loan related to the projects specified in Section 15819.60.

(f) ~~The~~ *In anticipation of federal matching share funding available pursuant to the State Veterans' Home Assistance Improvement Act of 1977 (38 U.S.C. Sec. 8131 et seq.), the State Public Works Board and the Department of Veterans Affairs may obtain interim financing for the project costs authorized in Section 15819.60 from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Sections 16312 and 16313 of the Government Code.*

(g) The board may authorize the augmentation of the acquisition, design, and cost of the construction, renovation, or expansion of the homes set forth in this chapter pursuant to the board's authority under Section 13332.11. In addition, the board may authorize any additional amounts necessary to establish a

1 reasonable construction *and equipping* reserve and to pay the cost
2 of financing, including, but not limited to, the payment of interest
3 during the design and construction of the projects, the costs of
4 financing a debt service fund, and the cost of issuance of
5 permanent financing for the projects. This additional amount may
6 include interest payable on any interim financing obtained.

7 (h) The Department of Veterans Affairs is authorized and
8 directed to execute and deliver any and all leases, contracts,
9 agreements, or other documents necessary or advisable to
10 consummate the sale of bonds or otherwise effectuate the
11 financing of the scheduled projects.

12 (i) In the event that the bonds authorized for projects in Section
13 15819.60 are not sold, the Department of Veterans' Affairs shall
14 commit a sufficient portion of its support appropriation, as
15 determined by the Department of Finance, to repay any interim
16 financing. It is the intent of the Legislature that this commitment
17 be made until all interim financing is repaid either through the
18 proceeds from the sale of bonds or from an appropriation.

19 (j) The State Public Works Board shall not itself be deemed a
20 lead or responsible agency for purposes of the California
21 Environmental Quality Act (commencing with Section 21000 of
22 the Public Resources Code) for any activities under the State
23 Building Construction Act of 1955 (commencing with Section
24 15800 of the Government Code). This subdivision does not
25 exempt any participating agency or department from the
26 requirements of the California Environmental Quality Act, and is
27 intended to be declarative of existing law.

28 *SEC. 3.* Section 987.71 of the Military and Veterans Code is
29 amended to read:

30 987.71. (a) The purchaser shall make an initial payment of at
31 least 2 percent of the selling price of the property. The department
32 may waive the initial payment in any case where the value of the
33 property as determined by the department from an appraisal equals
34 the amount to be paid by the department plus at least 5 percent. In
35 the case of a purchase requiring a loan guaranty by the United
36 States Department of Veterans Affairs, the department may waive
37 the initial payment and the purchaser shall pay the loan guaranty
38 fee, which may be added to the loan amount. The department may
39 require the purchaser to pay a loan origination fee, not to exceed

1 1 percent of the loan amount, which may be added to the loan
2 amount.

3 (b) The balance of the loan amount may be amortized over a
4 period fixed by the department, not exceeding 40 years for farms
5 or homes and not exceeding 30 years for mobilehomes located in
6 mobilehome parks, as defined in Section 18214 of the Health and
7 Safety Code, together with interest thereon at the rate determined
8 by the department pursuant to Section 987.87 for these
9 amortization purposes.

10 (c) The department may, in order to allow the veteran to
11 purchase the home selected without incurring excessive monthly
12 payments, at the time of initial purchase, postpone the
13 commencement of payment of the principal balance for a period
14 not to exceed five years if the veteran's current income meets the
15 standards for purchase on these terms and if the department
16 determines, in accordance with previously established criteria for
17 these determinations, that the veteran's income can reasonably be
18 expected to increase sufficiently within the five-year period to
19 make the transition to fully amortized principal and interest
20 payments, so long as the total term of the contract of purchase does
21 not exceed 40 years, or 30 years where the contract relates to a
22 mobilehome located in a mobilehome park, as defined in Section
23 18214 of the Health and Safety Code.

24 (d) The purchaser on any installment date may pay any or all
25 installments still remaining unpaid.

26 (e) In any individual case, the department may for good cause
27 postpone, from time to time, upon terms the department
28 determines to be proper, the payment of the whole or any part of
29 any installment of the purchase price or interest thereon.

30 (f) Each installment shall include an amount sufficient to pay
31 the principal and interest on the participation contract to which the
32 interest of the department is subject, and any amount as may be
33 required by a covenant or provision contained in any resolution of
34 issuance.

35 (g) When a purchaser makes an initial payment of less than 20
36 percent of the selling price of the property, the department shall do
37 all of the following:

38 (1) Take prudent measures to minimize losses from loan
39 defaults and loan delinquencies.

(2) (A) Ensure the continued financial solvency of the loan program by charging fees to cover the costs, as determined by the department, of any loan guaranty, primary mortgage insurance, or other similar arrangement.

(B) Fees charged under this paragraph may be included in the amount of the loan, collected in advance, or collected as part of the monthly payment.

(h) (1) Subject to paragraph (2), the department may provide initial payment assistance to lower income first-time purchasers by providing a deferred-payment second loan, upon which simple interest shall be charged at a rate established by the department.

(2) A deferred-payment second loan described in paragraph (1) is subject to all of the following conditions:

(A) The loan may not exceed 3 percent of the selling price of the farm or home.

(B) The loan shall be secured by a deed of trust.

(C) The loan shall be due and payable upon the payment in full of the contract or upon the sale or transfer of the farm or home.

~~SEC. 2.~~

SEC. 4. Section 987.775 of the Military and Veterans Code is amended to read:

987.775. Whenever the department proceeds under Section 987.77 to declare a forfeiture and to retain all payments made under the forfeited contract as rental paid for occupancy, the department may, in lieu of paying any net gain to the purchaser in accordance with Section 987.79, deposit that net gain into a segregated account in the Veterans' Farm and Home Building Fund of 1943 created to receive funds pursuant to this section. The funds in the account shall be accumulated until June 30 of each year, and any losses on the sales of forfeited properties during the fiscal year shall be deducted from the total of the net gains deposited in the account during the fiscal year. The department may expend the funds remaining in the account on June 30 each year, after deduction for losses on sales of forfeited properties, for purposes of assistance to lower income purchasers pursuant to subdivision (c), (e), or (h) of Section 987.71.

SEC. 5. Section 1104.1 of the Military and Veterans Code is amended to read:

1104.1. (a) Notwithstanding Section 13340 of the Government Code, the moneys in the Veterans' Home Fund

established by Section 1103 are, subject to the limit set forth in subdivision (b), hereby continuously appropriated, without regard to fiscal years, to the Department of Veterans Affairs, subject to the approval of the Department of Finance, for the funding of the state's matching requirement for the *design, equipping, and* construction of all of the following:

(1) The Veterans' Home of California, Lancaster, as described in paragraph (4) of subdivision (b) of Section 1011.

(2) The Veterans' Home of California, Saticoy, as described in paragraph (5) of subdivision (b) of Section 1011.

(3) The Veterans' Home of California, West Los Angeles, as provided for in subdivision (a) of Section 1104.

(b) The total amount appropriated in accordance with subdivision (a) may not exceed the sum of thirty-one million dollars (\$31,000,000).

(c) The homes specified in subdivision (a) may care for veterans with substance abuse disorders.

(d) Notwithstanding Section 13340 of the Government Code, in addition to the funds appropriated pursuant to this section, the federal matching funds available pursuant to the State Veterans' Home Assistance Improvement Act of 1977 (38 U.S.C. Sec. 8131 et seq.) are hereby continuously appropriated, without regard to fiscal years, to the Department of Veterans Affairs, subject to the approval of the Department of Finance, for the purpose of design, *equipping*, construction, renovation of, or expansion or repayment of any loan related to the projects specified in this section.

(e) Subject to approval of the Department of Finance, the Department of Veterans Affairs may expend state funds pursuant to this section for the design of projects specified in this section in anticipation of the receipt of federal matching funds.

SEC. 6. Section 1104.2 of the Military and Veterans Code, as added by Section 1 of Chapter 218 of the Statutes of 2002, is repealed.

~~1104.2. Notwithstanding Section 13340 of the Government Code, an amount, not to exceed the sum of fifteen million dollars (\$15,000,000), is hereby continuously appropriated, without regard to fiscal years, from the Veterans' Home Fund to the Department of Veterans Affairs for the renovation of the Veterans' Home of California, Yountville, as described in Section 1011.~~

1 *SEC. 7. Section 1104.2 of the Military and Veterans Code, as*
2 *added by Section 1 of Chapter 219 of the Statutes of 2002, is*
3 *amended to read:*

4 1104.2. (a) Notwithstanding Section 13340 of the
5 Government Code, an amount, not to exceed the sum of fifteen
6 million dollars (\$15,000,000), is hereby continuously
7 appropriated, without regard to fiscal years, from the Veterans'
8 Home Fund to the Department of Veterans Affairs, subject to the
9 approval of the Department of Finance, for the state's matching
10 share for the design, *construction, equipping*, and renovation of
11 the Veterans' Home of California, Yountville, as described in
12 Section 1011.

13 (b) Excluding any funds required to pay for costs associated
14 with issuing and administering general obligation bonds, any
15 remaining general obligation bond funds available in the Veterans'
16 Home Fund created under Section 1103 after funding the design,
17 construction, *equipping, expansion*, or renovation of the
18 Lancaster, Saticoy, ~~or West Los Angeles~~, *or Yountville* veterans
19 homes, ~~the renovation of the veterans' home at Yountville, as~~
20 *specified in Section 1104.1 and subdivision (a)*, and projects
21 funded through any Budget Act, are, notwithstanding Section
22 13340 of the Government Code, hereby continuously appropriated
23 without regard to fiscal years to the Department of Veterans
24 Affairs, subject to the approval of the Department of Finance, to
25 fund the state's matching share for renovations, *design,*
26 *construction, and equipping* at Yountville consistent with the
27 purposes established in subdivision (a) of Section 1104.

28 (c) Notwithstanding Section 13340 of the Government Code,
29 in addition to the funds appropriated pursuant to this section, the
30 federal matching funds available pursuant to the State Veterans'
31 Home Assistance Improvement Act of 1977 (38 U.S.C. Sec. 8131
32 et seq.), are hereby continuously appropriated, without regard to
33 fiscal years, to the Department of Veterans Affairs, subject to the
34 approval of the Department of Finance, for the purpose of design,
35 construction, *equipping*, renovation of, or expansion or repayment
36 of any loan related to the projects specified in this section.

37 (d) *Subject to approval of the Department of Finance, the*
38 *Department of Veterans Affairs may expend state funds pursuant*
39 *to this section for the design of projects specified in this section in*
40 *anticipation of the receipt of federal matching funds.*

1 *SEC. 8. This act is an urgency statute necessary for the*
2 *immediate preservation of the public peace, health, or safety*
3 *within the meaning of Article IV of the Constitution and shall go*
4 *into immediate effect. The facts constituting the necessity are:*

5 *In order to equip, design, and construct various veterans' homes*
6 *at the earliest possible time, it is necessary that this act take effect*
7 *immediately.*

